

Platts Report: China Oil Demand Contracts 0.8% Year over Year in December

Full year apparent demand rises 5.8% to 11.11 million b/d

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SINGAPORE

SINGAPORE, Feb. 7, 2016 [PRNewswire/](#) -- China's apparent* oil demand contracted by 0.8% in December 2015 from a year earlier to 11.35 million barrels per day (b/d), according to a just-released [Platts China Oil Analytics](#) report on the latest Chinese government data.

Refinery throughput in December averaged 10.84 million b/d, a record high volume, data from the country's National Bureau of Statistics (NBS) showed January 19. This was a 1.4% increase both year on year and month on month.

Net imports of key oil products however slumped 32.5% from a year earlier to an average 514,000 b/d during the month, driven by significant exports of gasoil, jet fuel and gasoline, according to data from the General Administration of Customs.

For the whole of 2015, apparent oil demand in the country expanded by 5.8% to an average 11.11 million b/d. This was much stronger than in 2014, when oil demand grew by 4.7%. There were strong gains in transport fuels in China last year, as lower oil prices boosted consumption at the pump, while an expanding middle class also contributed to higher demand.

Looking ahead, Platts China Oil Analytics, an on-line platform for supply/demand and trade data, expects China's apparent oil demand growth to moderate to 2.4% in 2016, in line with an expected decline in GDP growth from 6.9% in 2015.

"Gasoil and fuel oil will be the main laggards this year, although we still expect robust growth for gasoline, jet fuel and LPG," said *Platts China Oil Analytics Senior Analyst Song Yen Ling*

Gasoil

Gasoil is the most widely consumed oil product in China. It is used in the transport sector as well as by industry and demand has been hit in the last three years because of declining economic growth. Apparent demand in December contracted for the fourth consecutive month, by 7.4% to an average 3.5 million b/d, bringing year-to-date apparent demand to 3.53 million b/d, a 0.5% contraction from 2014.

There could be an uptick in demand for lower pour point gasoil in January due to lower temperatures across China, although consumption by industry typically eases in the run-up to the Lunar New Year as factories and manufacturing plants shut for the holiday.

Gasoline

Apparent* demand for gasoline averaged 2.67 million b/d, which was a 1.8% increase year on year, the slowest pace of expansion seen since February 2015. Exports in December confounded expectations and rose to a record high level of 241,000 b/d, mainly because some state-owned refineries' sales were hit by competition from independent refineries, which offered significant discounts to move their product.

The slower sales by state-owned refiners was also reflected in an inventory build -- data from Xinhua's China Oil, Gas & Petrochemicals newsletter shows commercial stocks held by state-owned refiners rose 7% month on month at the end of December.

"Gasoline demand will likely rebound this month as travel peaks for the Chinese New Year holiday. We expect gasoline exports to have eased to under 200,000 b/d in February," Song said.

Fuel Oil

China's fuel oil apparent demand in December declined 2.7% year over year to 951,000 b/d, although demand for the year rose 13.2% to an average 927,000 b/d.

China's fuel oil consumption rebounded in 2015 as independent teapot refiners imported more residual oil known as petroleum bitumen blend as feedstock for their units. This was seen as a favorable alternative to fuel oil because of domestic consumption tax breaks. Total fuel oil and petroleum bitumen blend imports for the year surged 30% from 2014 to an average 504,000 b/d, with inflows of the latter tripling from a year earlier to 233,000 b/d.

However as more independent teapot refiners have received the right to import crude oil in the last six months, Platts China Oil Analytics expects their appetite for fuel oil and petroleum bitumen blend to wane this year. Crude oil is seen as a superior feedstock while current low prices have made it highly attractive to refiners.

Total fuel oil apparent demand is forecast to decline to about 800,000 b/d in 2016, according to Platts China Oil Analytics.

MONTHLY CHINA OIL DATA IN '000 B/D

	Dec'15	Dec'14	% Chg	Nov '15	Oct '15	Sep '15	Aug '15
Net crude imports	7,787	7,125	9.3	6,601	6,231	6,817	6,236
Crude production	4,293	4,360	-1.5	4,315	4,277	4,530	4,296
Apparent demand	11,350	11,444	-0.8	10,903	10,955	11,039	11,188

Sources: China's General Administration of Customs, National Bureau of Statistics, Platts

Month-to-month demand in China is generally viewed to be subjected to short-term anomalies which are of interest and important to note, but often fail to reveal the country's underlying demand trends. Year-to-year comparisons are viewed by the marketplace to be more indicative of the country's energy profile.

*Platts calculates China's apparent or implied oil demand on the basis of crude throughput volumes at the domestic refineries and net oil product imports, as reported by the NBS and Chinese customs. Platts also takes into account undeclared revisions in NBS historical data.

The government releases data on imports, exports, domestic crude production and refinery throughput data, but does not give official data on the country's actual oil consumption figure and oil stockpiles. Official statistics on oil storage are released intermittently.

In view of some significant shifts in Chinese consumption and trade patterns in recent years, Platts has revised its methodology starting July 2015 to include production and net imports of LPG, as well as imports of petroleum bitumen blend, a popular imported feedstock for China's teapot refineries.

Platts has also refined its calculation of exports of jet fuel and fuel oil to exclude international marine bunker sales and aviation fuel delivered to international flights. This also impacts net imports, and hence apparent demand calculations.

All historical figures used for comparison have also been calculated using the new methodology to ensure consistency.

Platts releases its monthly calculation of China's apparent demand every month via press release and via its website. Any use of this information must be appropriately attributed to Platts. Platts uses a conversion rate of 7.33 barrels of crude per metric ton, the widely-accepted benchmark for markets East of Suez.

For more information on crude oil, visit the Platts website at www.platts.com. For Chinese-language information on oil and the energy and metals markets, visit <http://www.platts.cn/>.

Americas: Kathleen Tanzy, + 1 917 331 4607, kathleen.tanzy@platts.com

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CONTACT: Americas: Kathleen Tanzy, + 1 917 331 4607, kathleen.tanzy@platts.com; EMEA: Arnaud Humblot +44 207 176 6685, arnaud.humblot@platts.com and Alex Brog +44 207 176 7645, alex.brog@platts.com; Singapore: Platts (platts@ryancommunication.com)

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